Service Date: December 21, 2001

DEPARTMENT OF PUBLIC SERVICE REGULATION
BEFORE THE PUBLIC SERVICE COMMISSION
OF THE STATE OF MONTANA

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IN THE MATTER OF MONTANA POWER COMPANY, Annual Application to Implement its Unreflected Gas Cost, Gas Cost Tracking, and Gas Transportation Adjustment Clause Procedures	)	UTILITY DIVISION DOCKET NO. D2001.12.156 ORDER NO. 6394
IN THE MATTER OF MONTANA POWER COMPANY, Application for Approval of a Proposed Sharing of Proceeds from Sale of Gas Production and Gathering Properties	)	UTILITY DIVISION DOCKET NO. D96.2.22 ORDER NO. 5898i

INTERIM ORDER

Findings of Fact and Discussion

MPC Tracker, D2001.12.156

1. On December 7, 2001, Montana Power Company (MPC) filed an application with the Public Service Commission (PSC or Commission) for an overall decrease in natural gas revenues of $32,311,658. This proposed decrease reflects changes resulting from MPC's annual gas cost tracking (tracker) / unreflected gas cost adjustment (UGCA) and gas transportation adjustment clause (GTAC) balance procedures.

2. MPC states the decrease is required to: (a) reflect a decrease in the projected gas costs for the period November 1, 2001 to October 31, 2002; (b) amortize

the balance in the UGCA (as adjusted) for the 12-month period ending October 31, 2001; (c) amortize the GTAC balance (as adjusted) for the 12-month period ending October 31, 2001; and (d) extinguish the unit amortizations in the current tariff sheets approved pursuant to Order No. 6318a. The overall net decrease associated with the adjustments created by the current tracking year's activities is $17,762,510, the net decrease created by extinguishing the unit amortizations approved in last year's tracker is $14,549,148. The overall revenue requirement decrease is $32,311,658.

3. MPC's proposal results in a decrease of 25.51 percent to the commodity rate for core residential customers and a decrease of 25.60 percent for general service customers. MPC's proposal results in the utility class commodity rate decreasing by 41.40 percent and the reservation rate decreasing by 2.24 percent. The transportation reservation rate at the distribution level for firm service (D-FTG-1) will increase 1.62%. The transportation commodity rates at transmission level for firm service (T-FTG-1) and interruptible service (T-ITG-1) decrease 11.02 percent and 2.29 percent, respectively. The storage reservation rate (T-FSG-1) will increase by 4.87%.

4. MPC states the core and utility rates reflect decreases, primarily, because of a decrease in this year's gas cost projections. The transportation and storage rates at distribution and transmission level change because of the net rate impact of activities associated with the GTAC mechanism.

5. MPC requests approval to extinguish the current UGCA balance amortization approved in Order No. 6318a, and reflect the UGCA balance of $5,083,313 (as adjusted) for the 12-month period ending October 31, 2001. MPC also requests that the remaining UGCA balance of ($66,250.74) approved in Order No. 6212c, the estimated UGCA balance of $2,193,212.36 approved in Order No. 6318a, and the balance of $26,328.95 from rate refund established in Docket No. D96.2.22, Order No. 5898d, as approved in Order No. 6318a, be included in the UGCA balance. The resulting adjusted UGCA balance proposed for amortization is $7,236,603.57 under recovered.

6. MPC requests approval to extinguish the current GTAC balance amortization approved in Order No. 6318a, and reflect the GTAC balance for the 12-month period ending October 31, 2001 in rates. The GTAC booked balance for the 12-

month period ending October 31, 2001 is ($78,411). MPC proposes to amortize this balance together with adjustments for the actual GTAC balance remaining after cessation of the prior amortization approved in Order No. 6212a, pursuant to Order No. 6318a, and the estimated balance from Order No. 6318a. The resulting adjusted GTAC balance proposed for amortization is ($180,940).

7. The net revenue impact of MPC's proposals, by class, using the gas tracking market in this proposal, is shown in the revenue comparison table below:

Rate Class	Current Adjustment @ Prop. Market	Proposed Adjustment @ Prop. Market	Revenue Difference
Residential	$9,686,948	($11,706,217)	($21,393,165)
General Service	4,647,815	(5,800,238)	(10,448,054)
Utility	182,564	(204,325)	(386,889)
TBU –Firm Trans.	31,821	(51,730)	(83,551)
Total	$14,549,148	($17,762,510)	($32,311,658)

8. The following table shows MPC's current tariffed rates and proposed rates in this filing, and the resulting percentage changes:

Rate Schedule	Component	Current Interim Tariffed Rates	Proposed Tariffed Rates	Percent Change
D-RG-1	Commodity	$7.578	$5.644	(25.51%)
D-GSG-1	Commodity	$7.560	$5.623	(25.60%)
D-RGCA-1	Commodity	$3.746	$3.474	(7.25%)
D-GSGCA-1	Commodity	$3.725	$3.453	(7.32%)
T-FUGC-1	Commodity	$4.670	$2.737	(41.40%)
T-FUGC-1	Reservation	$8.40	$8.21	(2.24%)
D-FTG-1	Reservation	$5.985	$6.082	1.62%

T-FTG-1	Commodity	$0.070	$0.062	(11.02%)
T-ITG-1	Commodity	$0.319	$0.312	(2.29%)
T-FSG-1	Reservation	$3.244	$3.402	4.87%

9. The typical residential “core” customer using 120 dkt of natural gas a year, will find the net result of this filing to be an overall annual decrease in rates of $148.58 per year, which averages approximately a $12.38 decrease per month or an overall 17.9% decrease in rates.

<u>MPC Gas Assets Sale, D96.2.22</u>

10. On October 11, 2001, the PSC issued Order No. 6318c in Docket No. D96.2.22, approving a stipulation among MPC, Montana Consumer Counsel, and Commercial Energy of Montana. The Order provides that a total of $60.5 million, which includes $4.2 million carrying charges, less the amount credited from February 1, 2001 to January 31, 2002, would be refunded to customers through the CTC-GP Credit rate from February 1, 2002 to January 31, 2003.

11. MPC has prepared its annual tracker (discussed above), requesting implementation on an interim basis on January 1, 2002. The tracker and related procedures will result in a decrease in annual revenue of $32.3 million. If the gas proceeds refund is flowed to customers as currently ordered, gas customers would receive a $32.5 million decrease this year when the tracker becomes effective and an estimated $38 million increase next year when the gas proceeds refund is ended. To avoid this dramatic fluctuation in rates, MPC proposes the following changes to Order No. 6318c to levelize the rates that customers will be required to pay over time.

a. The rate change to the CTC-GP credit rate (refund) will be made on January 1, 2002, at the same time as the gas tracker rate changes.

b. The amount to be recovered is estimated to be $32,689,426.

c. The Gas Proceeds Credit will be refunded in the CTC-GP credit rate from January 1, 2002 to December 31, 2003.

Tracker and Gas Assets Sale

12. The net rate change resulting from the proposed amendment to Order No. 6318c will be an increase in revenue of $15,704,415 ($32,549,128 - $16,844,713). When this increase is netted with the decrease resulting from the gas cost tracker filing (Docket No. D2001.12.156) of ($32,311,658, the resulting net decrease is ($16,607,254).

13. The PSC determines that the elements of the proposed MPC tracker and deferral of proceeds described above are acceptable for interim order purposes.

CONCLUSION OF LAW

MPC provides natural gas service within Montana and as such is a “public utility” within the meaning of § 69-3-101, MCA. The PSC properly exercises jurisdiction over the MPC's rates and operations pursuant to Title 69, Chapter 3, MCA.

The Commission may at its discretion, within the scope of § 69-3-304, MCA, make temporary approvals of requests pending a hearing or final decision.

The rate levels and spread approved in this Order are a reasonable means of providing interim relief to MPC. The rebate provisions of § 69-3-304, MCA, protect ratepayers until there is a Final Order in these dockets.

ORDER

MPC shall implement, on an interim basis, rates designed to decrease annual Montana jurisdictional natural gas revenues by ($32,311,658).

MPC shall implement on an interim basis, rates designed to increase annual Montana jurisdictional natural gas revenues by an amount of $15,704,415 for a period of one year beginning on January 1, 2002 and ending on January 1, 2003.

MPC shall adhere to and abide by all provisions in this Interim Order. All rate schedules shall comply with all determinations set forth in this Interim Order.

MPC must file tariffs in compliance with this Interim Order.

Nothing in this Order precludes the Commission from adopting in its Final Order a revenue requirement different from that contained in this Interim Order.

Any interest associated with a refund that might result from the final revenue granted in this Interim Order will be computed at 10.75 percent, the approved return on equity for this Interim Order.

Interim approval of any matters in this proceeding should not be viewed as a final endorsement by the Commission of any issues, calculations, or methodologies approved in this Interim Order.

This Interim Order is effective for services rendered on and after January 1, 2002.

Done and dated this 18th day of December, 2001, by a vote of 5-0.

BY ORDER OF THE MONTANA PUBLIC SERVICE COMMISSION

GARY FELAND, Chairman

JAY STOVALL, Vice-Chairman

BOB ANDERSON, Commissioner

MATT BRAINARD, Commissioner

BOB ROWE, Commissioner

ATTEST:

Rhonda Simmons
Commission Secretary

(SEAL)

NOTE: Any interested party may request the Commission to reconsider this decision. A motion to reconsider must be filed within ten (10) days. See 38.2.4806, ARM.